



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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OLYMPIA, September 14, 2007 --- The General Fund-State revenue forecast has been increased by \$281.5 million for the combined 2005-07 and 2007-09 biennia. The national economic forecast now appears weaker than expected in June due to the deteriorating housing outlook and turmoil in the financial markets. On the other hand, recent employment and income data indicate that the Washington economy is outperforming the U.S. economy by a greater margin than previously assumed. Stronger than previously expected revenue collections during the last three months also support the less-than-one-percent increase in the revenue forecast.

Actual General Fund-State revenue in the 2005-07 biennium was \$27,774.0 million, \$68.8 million more than expected in June. The forecast for the 2007-09 biennium is \$30,016.7 million, which is \$212.7 million higher than expected in the June forecast. Of the total \$281.5 million forecast change for the two biennia, \$75.5 million is due to higher than expected collections through September 10, 2007 while \$206.0 million is due to a higher forecast for the remainder of the 2007-09 biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 biennium. The forecast based on more optimistic economic assumptions netted \$1,151 (3.8 percent) more revenue in the 2007-09 biennium than did the baseline while the pessimistic alternative was \$1,339 million (4.5 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$386 million (1.3 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

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